Alberta
ENERGY

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GAS ROYALTY CALCULATION INFORMATION BULLETIN
June 2007

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PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT.

A. PRICING RATES AND TRANSPORTATION INFORMATION

For Pricing, Royalty Rates and Transportation Information for April 2007, refer to Attachments 1, 1A, 2, 2A, and 3. These attachments are also available in Excel format.

B. NOTICES

Office Closures – July 2, 2007

All Alberta Energy offices will be closed on Monday July 2, 2007 for the Canada Day Holiday. Payments for the March 2007 invoice due on June 30, 2007 will be accepted on Tuesday, July 3, 2007 because the June 30, 2007 due date falls on a non-business day, and therefore the next business day applies as the due date.

2007 Annual Allowable Cost Estimates (Capital Cost Allowance and Custom Processing Allowance)

For the January through March 2007 billing periods, royalty clients received estimated monthly cost deductions that were calculated using their 2005 actual allowable costs, multiplied by their 2005 Corporate Effective Royalty Rate (CERR), divided by 12 (months).

The information in the 2006 AC2, AC3, and AC5 documents were used to calculate the 2006 actual capital cost and custom processing allowances. This calculation is reflected in the April 2007 Initial Annual Billing Period (IABP) invoice, issued in June 2007.

The 2006 actual allowable costs will become the royalty client's 2007 allowable cost estimates.

Commencing with the April 2007 billing period, royalty clients will receive monthly deductions based on their calculated 2007 allowable cost estimates, multiplied by their new 2006 CERR, minus the total deductions received in the January, February, and March 2007 billing period invoices, divided by the months remaining in the year (i.e. 9 months as of the April billing period).

If a royalty client needs to adjust the 2007 go forward allowable cost estimate a written request accompanied by supporting documentation must be submitted to Client Services (see Chapter 6, Section 1 of the Guidelines).

Examples when an adjustment may be required are as follows:

- A royalty client's business in a year changes significantly so that the Crown share of capital cost allowance and/or custom processing allowance from the preceding year are no longer applicable, or
- The AC2, AC3, and AC5 documents were not submitted in time for them to be processed in the April 2007 IABP invoice.

Business Rules Surrounding the Otherwise Flared Solution Gas (OFSG) Royalty Waiver Program

The department would like to remind clients to refer to the Guidelines (Chapter 5, Section 2) and Regulation (Schedule 8) for applicable business rules and compliance information.

Should you have any questions, please contact Shellie Duiker at (780) 422-8083.

Provincial Average Corporate Effective Royalty Rate (CERR)

The provincial average CERR is initially assigned to each new royalty client to estimate the Crown's share of allowable costs. Each June, during the Initial Annual Billing Period (IABP), the estimated CERR is recalculated and the actual Crown share of allowable costs is determined using the client's actual calculated CERR.

The provincial average CERR for the 2007 production year is 0.1992924.

C. MONTHLY INFORMATION

April 2007 Royalty Due July 31

- **Royalty clients are to remit the total amount payable shown on the July 2007 Statement of Account by July 31, 2007.** If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided.

- **The July 2007 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your April 2007 Invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.**

- Current period interest will not be charged on current invoice charges for the production month of April 2007 if it is paid in full by July 31, 2007.

- Current period interest will accrue on any overdue charges commencing the first day after the due-date until it is paid in full.

  Note: If the due date falls on a non-business day, the next business day will apply as the due date.

- Cheques are payable to the Minister of Finance, Province of Alberta.

May 2007 VA4 Due July 15

The VA4 forms for the production month of May 2007 are due in the department offices by July 15, 2007.

Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.

May 2007 Production Reporting

May 2007 production reporting is submitted through the Registry. The deadline for submission of SAF, OAF, and Volumetrics is posted in the Petroleum Registry of Alberta website "Reporting Calendars" under Bulletin Board.

Changes to this calendar will be posted on the Registry website home page in "Broadcast Messages."

Interest Rate June 2007

Alberta Energy's interest rate for June 2007 is 7.00%

March Provisional Assessment Charge

The summary of Provisional Assessment Charges for all production periods in the March 2007 billing period was:

First Time Provisional Assessment	Reversals of Provisional Assessments	Net Provisional Assessment
$3,141,339.33	($4,795,740.96)	($1,654,401.63)

March Penalty Charges

The penalty table below shows at the form level, the total penalty charges and reversals, for the March 2007 billing period:

FORM	Penalty Charges	Penalty Reversals	Net Penalty Charges for 2007/03
AC2	$43,400	($10,800)	$32,600
AC4	$8,000	($2,400)	$5,600
AC5	$1,300	$0	$1,300
GR2	$0	$0	$0
NGL1	$0	$0	$0
VA2	$0	$0	$0
VA3	$0	$0	$0
VA4	$500	$0	$500
Total	$53,200	($13,200)	$40,000

Gas Royalty Calculation Support

Gas Royalty Calculation staff will be available monthly to meet with clients who need assistance with royalty reporting. Royalty clients requiring assistance are encouraged to call Richard Stokl, Manager, Client Services (780-422-9258) or e-mail richard.stokl@gov.ab.ca two business days before the meeting date to arrange an appointment. The July through September schedule is as follows:

Where:

AMEC Place
Room 437, 801-6 Avenue SW
Calgary, Alberta
Phone: 403-297-8954
(Industry must go to the 3rd Floor Reception upon arrival to sign-in and be given a visitor tag)

When – 10 am to 3 pm
July 26, 2007
September 27, 2007

D. INFRASTRUCTURE DATA CHANGES

Client ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, includes Working Interest Owner (WIO) role start/end dates.

This report is also published daily on the Petroleum Registry website at:

http://www.petroleumregistry.gov.ab.ca

The department reminds Business Associates to review their WIO role to ensure the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role start date with no end date, then that BA can receive allocations from the stated start date forward.
- If a BA has a WIO role start and end date, then they can only receive allocations from the stated start date until the end date. Any allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive allocations at all.

Please contact Client Registry at (780) 422-1395 if you have any questions regarding the information supplied on this listing.

Projects/Blocks

If information is required on Projects or Blocks, please contact Isabelle Warwa at (780) 427-8952.

Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client names or IDs, please contact Client Registry at (780) 422-1395.

The following is a list of struck and revived clients:

Company Name	Client ID	Struck Date
Coenergy Trading Company	0XR7	June 2, 2007
Eastland Oil & Gas Ltd.	0F5P	June 2, 2007
Efficient Energy Resources Ltd.	0C2F	June 2, 2007
Final Touch Coatings Inc.	A0BM	June 2, 2007
I.T.A. Enterprises Inc.	0CX8	June 2, 2007
Keephills Aggregate Company Ltd.	A0EE	June 2, 2007
Peace Regional Emergency Medical Services Society	A1GN	June 2, 2007
Sempra Energy Solutions	0A7G	June 2, 2007
Company Name	**Client ID**	**Revived Date**
Restech Welltest Solutions Inc.	A0WH	June 11, 2007

Nova Tolls - Multiple Gas Reference Prices

Royalty information related to the implementation of the Factor Model negotiated with industry for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under Facility Royalty Trigger Factors and Meter Station Ties.

E. REMINDERS

Royalty Deposit Adjustment

The royalty deposit recalculation for 2007 is the lesser of 1/6 of a client's net royalty for 2006 and the amount determined by multiplying the current deposit maintained by the client by a price factor. The factor of (1.00) was calculated by dividing the current year long-term gas reference price for 2007 ($6.50) by the long-term gas reference price used in the 2006 ($6.50) calculation. Refer to Chapter VII, Section 1.5 of the Guidelines for additional information. If you have any questions, please contact Shellie Duiker at (780) 422-8083.

Annual Operating Cost Adjustments for 2003, 2004, 2005 and 2006 Production Years

Royalty clients may have had a charge type on their February 2007 invoice titled "Annual Operating Cost Adjustment". This adjustment represents the difference between the actual annual operating costs and the accumulated estimated monthly unit operating cost rate (UOCR) deductions, including any prior annual adjustments, for a production year. Two reports were included with the invoice titled Annual Operating Cost Adjustment Details and Annual Operating Cost Adjustment Summary. Annual Operating Cost Adjustments are processed once a year and the adjustments were identified in the February invoice issued in April. The results of the 2007 UOCR calculation process are published on the Natural Gas website's Royalty Related Information page. Please select Unit Operating Cost Rates to view the most recent UOCR calculations. For additional information, please refer to the March 2004 Supplement Information Bulletin 04-03A or contact your Gas Royalty Client Services portfolio representative as identified in Section F of this bulletin.

Royalty Adjustment Program for Deep Marginal Gas Wells (RAP) Presentation

In March, an information session on the new adjustment program for deep marginal natural gas wells was presented to industry clients. The PowerPoint presentation is now available on the department website. To view this presentation on the Natural Gas website's Royalty Related Information page, select the link Royalty Adjustment Program for Deep Marginal Gas Wells (RAP).

If you have any questions regarding the presentation, please contact Tracy Wadson of Royalty Programs at (780) 422-9240.

F. POINTS OF CONTACT

Petroleum Registry of Alberta

The Petroleum Registry of Alberta Service Desk is the focal point for communications with the Registry regarding preparations for, access to, or utilization of the Registry. To contact the Petroleum Registry of Alberta Service Desk call: 1-800-992-1144.

Alberta Energy Internet

Prices, Royalty Rates, and Transportation Information are available on the Alberta Energy Internet address: http://www.energy.gov.ab.ca, from "Our Business", navigate to "Natural Gas", "About Natural Gas", "Prices", "Alberta Natural Gas Reference Price (ARP)".

In addition, both the Gas Royalty Calculation Information Bulletins and Information Letters are also available on the Alberta Energy Internet address: http://www.energy.gov.ab.ca, from "Our Business", navigate to "Natural Gas", "Legislation, Guidelines & Policies".

Gas Royalty Client Services

Gas Royalty Client Services is structured as a Business Associate client portfolio system, which assigns a given Business Associate to one of four Client Service teams. Listed below is the portfolio breakdown along with Client Service Team Leads and phone numbers. The portfolios are divided by company name and not by BA ID.

Example: If your company name is the "Gas Company" you would call C – G team at (780) 644-1202.

Business Associate	Phone Number and E-mail Address	Team Lead
Numbered companies, A, B & L	(780) 644-1201 GRCST1@gov.ab.ca	Mary Spearing
C – G	(780) 644-1202 GRCST2@gov.ab.ca	Lily Hiew
H – P (excluding L)	(780) 644-1203 GRCST3@gov.ab.ca	Chris Nixon
Q – Z	(780) 644-1204 GRCST4@gov.ab.ca	Kamal Rajendra

Gas Royalty Reception: (780) 427-2962
Fax: (780) 427-3334 or (780) 422-8732
Alberta Toll Free: (780) 310-0000
Hours of operation are 8:15 a.m. to 4:30 p.m.
Voice messages left after 4:30 p.m. will be answered the next business day.

In situations where a company has just amalgamated or purchased another company, the general rule is to call the team that is responsible for the "Supra" business associate, or Royalty payer.

Below are some guidelines for clients who are unsure which Client Services Team to call regarding their questions.

1. **Amalgamation/consolidation** - Call the team responsible for the "Supra" business associate (Royalty Payer).
   i.e. ABC Oil and Gas amalgamates with Zed Exploration and Zed is the amalgamator (royalty payer). When calling Client Services regarding business for ABC Oil and Gas you would call Team 4 (Q-Z) (780-644-1204) because Zed Exploration is now the Supra business associate and royalty payer. This rule would apply even if you were calling regarding business that is prior to the acquisition or amalgamation.

2. **Asset Purchase** - Call the team responsible for your company.
   i.e. 123 Gas purchases the assets of TSP Exploration, but not the company. When calling Client Services regarding business for 123 Gas you would call Team 1 (# Co., A, B, & L) (780-644-1201) because you have only purchased assets. You would not be entitled to information regarding business for TSP Exploration that is prior to the asset purchase.

3. **Consultants/service providers** - If you have a contract to provide production accounting services to a company, call the team responsible for your client's company.
   i.e. Paul Snow Consulting Services enters into a contract with Duckback Oil and Gas and Olive Oil and Gas. Paul Snow would contact Team 2 (C-G) (780-644-1202) to discuss Duckback Oil business and Team 3 (H-P excluding L) (780-644-1203) to discuss Olive Oil and Gas business. At the time the contract is signed, Paul Snow would have had each company notify the appropriate team that he was authorized to access information for their company.

Reference Prices and Valuation Allowances Calculation Information

Gas Royalty Valuation and Markets
300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone (403) 297-5514
Fax (403) 297-5400

Calgary Information Centre

300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone (403) 297-6324
Fax (403) 297-8954

Deen Khan
Director, Gas Royalty Calculation
Gas Development

Attachments

2007 GAS AND ISC PRICES

MONTH	Gas Reference Price ($/GJ)	Methane ISC Reference Price ($/GJ)	Methane ISC Par Price ($/GJ)	Ethane ISC Reference Price ($/GJ)	Propane ISC Reference Price ($/GJ)	Butane ISC Reference Price ($/GJ)	Pentanes plus ISC Reference Price ($/GJ)
JAN	6.27	6.22	6.22	6.61	6.70	6.73	6.75
FEB	6.82	6.78	6.78	7.14	7.22	7.26	7.28
MAR	6.92	6.88	6.88	7.17	7.23	7.25	7.27
APR	6.74	6.70	6.70	7.07	7.14	7.15	7.17
MAY							
JUN							
JUL							
AUG							
SEPT							
OCT							
NOV							
DEC							

Natural Gas and NGLs Select Prices for 2007

Commodity	2007
New Methane	1.450 $/GJ
Old Methane	0.427 $/GJ
New Ethane	1.450 $/GJ
Old Ethane	0.427 $/GJ
Propane	1.450 $/GJ
Butane	1.450 $/GJ
Pentanes plus	51.84 $/m3

Royalty Factors for Pentanes plus

	Base	Marginal
New Pentanes	22	35
Old Pentanes	22	50

DETAIL OF THE APRIL 2007 GAS AND ISC REFERENCE PRICES

	Gas	Methane	C2-IC	C3-IC	C4-IC	C5-IC
Weighted Average Price of Alberta	7.019	6.986	7.279	7.332	7.334	7.337
Deductions: Intra – Alberta Transportation	0.238	0.253	0.144	0.101	0.078	0.060
Marketing Allowance	0.012	0.012	0.012	0.012	0.012	0.012
Price Before Pipeline Factor	6.769	6.721	7.123	7.219	7.244	7.265
Pipeline Fuel/Loss Factor	0.990	0.990	0.990	0.990	0.990	0.990
Price before Special Adjustment	6.701	6.653	7.051	7.146	7.170	7.192
Special Adjustment	0.000	0.000	0.000	0.000	0.000	0.000
Price before 2% amendment limitation or rounding	6.701	6.653	7.051	7.146	7.170	7.192
Amendments: Carry forward (from previous RP month)	-0.002	0.001	0.003	0.002	-0.003	0.001
Prior Period Amendment Adjustment (current RP month)	0.042	0.045	0.014	-0.006	-0.014	-0.019
Calculated RP after Amendments	6.741	6.699	7.068	7.142	7.153	7.174
APRIL 2007 Reference Price	**6.74**	**6.70**	**7.07**	**7.14**	**7.15**	**7.17**
Difference = value carried forward to next RP month	0.001	-0.001	-0.002	0.002	0.003	0.004
Adjusted IATD (before Prior Period Amendments)	n/a	0.250	0.143	0.100	0.077	0.059
Prior period Amendments (IATD and Pipeline Fuel Loss)	n/a	0.000	0.000	0.000	0.000	0.000
Adjusted IATD (after Prior Period Amendments)	n/a	0.250	0.143	0.100	0.077	0.059

2006 Weighted Average Reference Price ($/GJ)
6.260

2006 Weighted Average OMAC ($/GJ)
0.020

2007
NATURAL GAS LIQUIDS PRICES

MONTH	Ethane Reference Price ($/GJ)	Ethane Par Price ($/GJ)	Propane Reference Price ($/m3)	Propane Par Price ($/GJ)	Propane Floor Price ($/m3)	Butanes Reference Price ($/m3)	Butanes Par Price ($/GJ)	Butanes Floor Price ($/m3)	Pentanes plus Reference Price ($/m3)	Pentanes plus Par Price ($/m3)	Sulphur Default Price ($ per tonne)
JAN	6.61	6.61	275.42	6.70	210.69	308.33	6.73	252.50	430.65	411.32	11.18
FEB	7.14	7.14	286.81	7.22	236.16	306.63	7.26	266.25	452.58	448.57	13.94
MAR	7.17	7.17	290.24	7.23	246.22	316.86	7.25	281.98	456.95	451.65	11.18
APR	7.07	7.07	298.40	7.14	265.81	361.88	7.15	315.93	487.95	458.50	9.44
MAY											
JUN											
JUL											
AUG											
SEPT											
OCT											
NOV											
DEC											

ANNUAL SULPHUR DEFAULT PRICE				
2002	2003	2004	2005	2006
$6.74	$30.97	$31.98	$33.98	$18.82

2007
NGL TRANSPORTATION ALLOWANCE AND DEDUCTIONS

MONTH	PENTANES PLUS (a)				PROPANE AND BUTANE (b)				PENTANES PLUS, PROPANE & BUTANE (c)				FRAC. ALLOW. (per m3)
	REGION				REGION				REGION				
	1	2	3	4	1	2	3	4	1	2	3	4	
JAN	21.10	17.07	34.15	13.26	31.36	8.32	-2.27	27.27	25.74	24.74	37.79	26.71	15.50
FEB	7.24	5.39	36.37	-11.68	13.17	3.82	45.20	8.58	15.33	16.84	20.02	12.43	15.50
MAR	10.34	5.48	20.97	-1.33	14.54	6.60	28.87	7.34	18.27	16.09	34.94	15.56	15.50
APR	21.46	35.11	40.75	36.78	56.23	-14.42	16.58	10.84	22.53	25.12	37.71	27.53	15.50
MAY													
JUN													
JUL													
AUG													
SEPT													
OCT													
NOV													
DEC													

(a) Pentanes Plus obtained as a specification gas product,
(b) Propane and Butane obtained as specification products, and
(c) Pentanes Plus, Propane and Butane contained in a natural gas liquids mix.

* Current month calculated allowance is based on an estimate.

Note: For details on "Prior Period Amendment Effects", see Attachment 2A.

PRIOR PERIOD AMENDMENT EFFECTS

NGL REFERENCE PRICES	APRIL 2007		
	Propane	*Butanes*	*Pentanes*
Price before amendments	292.936891	365.068300	482.820292
Opening Rollover (from prior business mth)	0.004197	-0.002214	-0.003619
Prior Period Amendment Adj. (NGL-1)	0.000000	0.000000	0.000000
Prior Period Amendment Adj. (NGL-100)	5.460153	-3.181462	5.129093
Published Reference Price	**298.40**	**361.88**	**487.95**

TRANSPORTATION ALLOWANCES	APRIL 2007											
	Pentanes Plus				Propane and Butane				Pentanes Plus, Propane & Butane			
AMENDMENTS	Region 1	Region 2	Region 3	Region 4	Region 1	Region 2	Region 3	Region 4	Region 1	Region 2	Region 3	Region 4
Opening Rollover (from prior business mth)	-0.002004	-0.002598	0.001654	-0.004591	-0.000790	0.001458	0.001854	0.002624	-0.000481	0.003808	-0.002980	0.000235
Prior Period Amendment Adj. (NGL1)	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Prior Period Amendment Adj. (NGL-100)	5.725611	5.129093	5.129090	3.857995	46.892695	-18.319177	25.129699	1.246866	2.661694	2.538324	4.237858	9.364275
Total Amendment Effect	5.723607	5.126495	5.130744	3.853404	46.891905	-18.317719	25.131553	1.249490	2.661213	2.542132	4.234878	9.364510
Calculated Transp. Differential	15.733021	29.981295	35.618041	32.927365	9.334057	3.896684	-8.552104	9.589702	19.869716	22.580073	33.472762	18.165882
Calculated Transp. Differential after Total Amendments	21.456628	35.107790	40.748785	36.780769	56.225962	-14.421035	16.579449	10.839192	22.530929	25.122205	37.707640	27.530392
Published Transportation Allowance	**21.46**	**35.11**	**40.75**	**36.78**	**56.23**	**-14.42**	**16.58**	**10.84**	**22.53**	**25.12**	**37.71**	**27.53**

*Any estimates represented by (*) are calculated as the weighted average of the other regions for the same spec product transportation allowance, since the region is zero. The weightings are based on the previous year's production.

2007
ROYALTY RATES

MONTH	METHANE-OLD (% per GJ)	METHANE-NEW (% per GJ)	ETHANE - OLD (% per GJ)+	ETHANE - NEW (% per GJ)	PROPANE (% per m^3)	BUTANES (% per m^3)	PENTANES – OLD (POL) (% per m^3)	PENTANES - NEW (PNE) (% per m^3)
JAN	35.00000	30.00000	35.00000	30.00000	30.00000	30.00000	46.47107	33.36157
FEB	35.00000	30.00000	35.00000	30.00000	30.00000	30.00000	46.76412	33.49763
MAR	35.00000	30.00000	35.00000	30.00000	30.00000	30.00000	46.78618	33.50787
APR	35.00000	30.00000	35.00000	30.00000	30.00000	30.00000	46.83420	33.53016
MAY								
JUN								
JUL								
AUG								
SEPT								
OCT								
NOV								
DEC								